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C O N F I D E N T I A L SECTION 01 OF 02 SOFIA 000807

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SUBJECT: BULGARIA/EU: EUROPEAN COMMISSION'S CRITICISM NO
SURPRISE

REF: SOFIA 678

Classified By: Ambassador Beyrle for reasons 1.4 (b) and (d)

11. (C) SUMMARY: The European Commission's (EC) June 27 monitoring report, the first since Bulgaria joined the EU in January, criticized Bulgaria's progress on fighting organized crime and corruption, but stopped short of imposing safeguard clauses. While acknowledging Bulgaria's progress, the EC said it will continue to monitor the country in six areas in the prosecution service and judicial system. The government had largely anticipated the criticism, adopting a speak-no-evil tone that labeled the report fair and objective and reaffirming their commitment to continued reforms. Privately, though, the government was said to be disappointed that only three Commissioners (Bulgaria, Romania, and Frattini) took a softer line. Continued EC monitoring will keep the government focused, but the report is not likely to provoke any additional personnel shake-ups. It will take a more serious political commitment on the part of the leadership to achieve genuine, lasting reform. END SUMMARY

MIXED PROGRESS ON CORRUPTION AND ORGANIZED CRIME

12. (SBU) The EC report, focused primarily on judicial reform and fight against corruption, concluded that while Bulgaria made some progress, more needed to be done on implementing the reforms. The Commission chose not to impose safeguard clauses on Bulgaria, but did propose continued monitoring in six specific areas, setting out concrete benchmarks as guidelines. According to the report, Bulgaria largely met the first benchmark, removing any ambiguity on judicial independence, but the Commission reserved its final judgment until the judicial system law enters into force later this year. Successful implementation of the law will determine Bulgaria's progress on the second benchmark, ensuring a more transparent and efficient judiciary. The EC criticized Bulgaria for slow progress on enhancing professionalism and accountability in the judicial system, the third benchmark, pointing out that the judicial inspectorate envisioned in the March constitutional amendments is yet to be set up.

13. (SBU) Heftier criticism was levied Bulgaria's fight against corruption and organized crime. The EC judged progress on high-level corruption, the fourth benchmark, as insufficient, citing lack of rigorous and systematic follow-up on allegations against politicians and government officials. The key test here will be successful prosecution and conviction of high-level officials involved in the recent corruption scandals (reftel). The report acknowledged Bulgaria's progress on cleaning up corruption in local government and at the borders, the fifth benchmark, but urged more prosecutions and deeper probes into inexplicable wealth of officials. Similar remarks were levied against Bulgaria's fight against organized crime, the final benchmark, where the EC again pointed to lack of progress on the unresolved contract killings.

NO SURPRISE FOR THE GOVERNMENT

¶4. (SBU) There were no surprises in the report's criticism, nor in the government's reactions. Most high-level officials, including President Parvanov, called the report "balanced and objective" and saw the lack of safeguard clauses as justified recognition of Bulgaria's progress. The ruling-coalition partners united in their view that the criticism was in the "tolerable boundaries," and the opposition parties resisted the temptation to overplay the continued strict monitoring. European Affairs Minister Gergana Grancharova went a step further to say that fulfilling the benchmarks will take serious political will. Chief Prosecutor Velchev said the report contained several mistakes -- it listed only five money laundering convictions whereas the Prosecution Service reported twelve -- but overall saw the EC's criticism as perfectly valid. Outgoing Minister of Justice Georgi Petkanov, whose Ministry received the lion's share of the criticism, stressed the fact that Bulgaria successfully avoided safeguard clauses or financial sanctions.

¶5. (C) Bulgarian officials echoed these we-had-it-coming sentiments to us in private conversations. The Prime Minister's foreign policy advisor admitted to us some disappointment in the report, suggesting that Bulgaria had done better in some areas, but acknowledged that contract killings and poor judicial performance were sore spots. He noted that private conversations with EC Commissioners had hinted at giving Bulgaria a lighter touch, but in the end only the Bulgarian and Romanian Commissioners and Frattini had opted for that approach. Transparency International's more positive report, released at the same time and showing Bulgaria's year-on-year progress, was naturally more welcome

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in Sofia. The country's Prime Minister decided to take an extremely low-key public stand, barely commenting on the EC report. (Heading into weekend showdowns with his Bulgarian Socialist Party and coalition partners to re-jigger ministerial portfolios, the PM was obviously saving his fire for the domestic political contest.)

¶6. (C) Interior Minister Petkov told Ambassador Beyrle on June 29 that he thought the report's conclusions were "useful," since only "pressure from the outside" would force a change in Bulgaria's efforts to deal with crime and corruption. Amb. Beyrle cited the Interior Ministry's failure to make a single arrest in connection with a long string of OC-related killings over the past two years, and asked if the report might at least lead to the long-promised replacement of General Valyo Tanev as head of the Ministry's Organized Crime Directorate. Petkov said the change would happen within a month.

¶7. (C) The Head of MOJ's Euro-integration Department said the report's criticism was justified but remarked sardonically that the new "verification mechanism" did not differ much from the pre-accession monitoring regime. The lead prosecutor on the closely-watched Toplofikatsia corruption case said he agreed with EC's comments on the judicial system but expressed doubt that change will come quickly. True reform will come with "change of personnel," he said, referring to the conservative ranks in the higher courts. Both agreed that continued monitoring from the EC should keep the government focused on the necessary reforms. Most media outlets carried extensive -- but not saturated -- coverage, avoiding excessive finger-pointing. The reactions of the political parties were predictable, with Sofia Mayor Borissov's GERB (the de facto center-right opposition) lashing out against a culture of cozy corruption among the established parties.

¶8. (C) COMMENT: The EC's exclusive focus on organized crime and corruption will keep the government motivated on further progress, but genuine reform will require significantly more

effort and political will. While Bulgaria is making efforts to clean up low-level graft, the murky ties between high-level politics and business interests still remain largely untouched. There is definitely some progress -- the fact that a powerful political player like Energy Minister Ovcharov was removed from his position on corruption allegations would have been unthinkable one year ago. But more high-profile cases like this need to follow for the changes to truly take root. In many ways, the EC (and many EU embassies here) pulled punches on Bulgaria's rule of law progress. The report has just enough force to keep the government and political class focused, but insufficient (thus far) muscle to compel more accelerated and targeted action. The Prime Minister is intent on making progress -- more for the sake of Bulgarian citizens, he says, than as a response to EU pressure -- but fractious partisan and coalition politics have so far stymied his efforts to make this fight the hallmark of his administration.

Beyrle